

Message Text

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PAGE 01 MANILA 12126 290952Z

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 STR-04 CEA-01 NEA-10 IO-10 /106 W

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P 290808Z AUG 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7036

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E. O. 11652: ADS, DECLAS 11/29/75

TAGS: EAID, EFIN, RP

SUBJECT: MANILA INTERNATIONAL AIRPORT PROJECT

USADB

FOR NAC AGENCIES

REF: MANILA 13221, NOV 1973

SUMMARY: MODIFICATIONS ARE NECESSARY IN BANK-FINANCED MANILA INTERNATIONAL AIRPORT PROJECT TO ACCOMMODATE CHANGES IN MASTER PLAN OF AIRPORT RECOMMENDED BY PROJECT CONSULTANTS. PHILIPPINE GOVT HAS ASSURED IT WILL FINANCE ALL REQUIRED COST INCREASES WHICH ARE MAINLY ATTRIBUTABLE TO SIGNIFICANT PRICE ESCALATIONS OF CONSTRUCTION MATERIALS FOLLOWING ENERGY CRISIS. USADB DOES NOT PROPOSE TO OBJECT TO MODIFICATIONS. END SUMMARY.

1. IN DECEMBER 1973 ADB BOARD OF DIRECTORS APPROVED \$29.6 MILLION LOAN FOR SUBJECT PROJECT TO FINANCE FOREX COST (INCLUDING \$3.6 MILLION FOR INTEREST AND OTHER CHARGES DURING CONSTRUCTION) OF (A) EXTENSION OF LIMITED OFFICIAL USE

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PAGE 02 MANILA 12126 290952Z

MAIN RUNWAY AND PARALLEL TAXIWAY? (B) EXPANSION OF PRESENT

INTERNATIONAL PASSENGER TERMINAL BUILDING; (C) CONSTRUCTION OF NEW DOMESTIC TERMINAL BUILDING, INTERNATIONAL AND DOMESTIC CARGO BUILDINGS, NEW AIRCRAFT PARKING APRONS, NEW (AND IMPROVEMENTS OF EXISTING) GROUND ACCESS, CIRCULATION ROADS AND PARKING FACILITIES; AND (D) INSTALLATION OF NAVIGATIONAL AIDS, LIGHTING AND UTILITIES. CONSULTANT FIRM (RENARDET-SAUTI-TRANSPLAN-CRUZ), WHICH WAS ENGAGED IN JULY 1974, HAS RECOMMENDED REVISED MASTER PLAN TO PROVIDE ESSENTIALLY SAME FACILITIES AND FUNCTIONS PREVIOUSLY APPROVED, BUT WITH REARRANGEMENT OF LOCATIONS OF AND SOME CHANGE IN SIZE OF FACILITIES.

2. SIGNIFICANT CHANGES IN MASTER PLAN INCLUDE: (A) CONVERSION OF EXISTING INTERNATIONAL PASSENGER BUILDING TO SERVE AS FUTURE DOMESTIC PASSENGER TERMINAL BUILDING? (B) CONSTRUCTION OF COMPLETELY NEW INTERNATIONAL PASSENGER TERMINAL ON SAME SIDE OF RUNWAY AS EXISTING TERMINAL; (C) DELETION OF RUNWAY UNDERPASS TUNNEL PREVIOUSLY NEEDED TO LINK TWO TERMINAL BUILDINGS; (D) DELETION OF PROPOSED GROUND ACCESS TO SOUTH SUPER HIGHWAY; (E) AVAILABILITY OF ADDITIONAL AREA FOR CONSTRUCTION OF PERMANENT MAINTENANCE HANGAR; AND (F) RELOCATION OF INTERNATIONAL AND DOMESTIC CARGO TERMINAL BUILDINGS, APRON AREAS, TAXIWAY AND CONNECTING GROUND VEHICULAR ROADWAYS IN CLOSE PROXIMITY TO RESPECTIVE PASSENGER TERMINAL BUILDINGS.

3. BANK STAFF CONSIDERS REVISED PLAN TO BE TECHNICALLY SOUNDER AND TO HAVE CONSIDERABLE ADVANTAGES OVER ORIGINAL PLAN. ON NEGATIVE SIDE, 65 HECTARES OF BUILT-UP PRIVATELY-OWNED LAND ARE REQUIRED AND 96 HOUSES WOULD BE DEMOLISHED. (GOVT HAS ASSURED BANK LAND CAN BE ACQUIRED AND POSSESSION OBTAINED ON SCHEDULE). ALSO, CONCEPT IMPOSES HEAVIER STRAINS ON EXISTING CITY APPROACH ROAD NETWORK SINCE SECOND ROAD ACCESS IS NOT ENVISAGED. HOWEVER, TWO MAIN ACCESS ROADS TO AIRPORT ARE PRESENTLY BEING WIDENED. ROAD CONSTRUCTION IS SCHEDULED FOR COMPLETION IN 1976. PROJECT, WHICH WAS ORIGINALLY SCHEDULED FOR COMPLETION BY END-1978, IS NOW EXPECTED TO BE COMPLETED BY END-1979.

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PAGE 03 MANILA 12126 290952Z

4. AT TIME OF APPRAISAL, TOTAL PROJECT COST WAS ESTIMATED AT \$44 MILLION, INCLUDING FOREX COMPONENT OF \$26 MILLION, IN VIEW (A) SIGNIFICANT COST ESCALATIONS FOLLOWING 1973 ENERGY CRISIS, (B) ADDITIONAL TECHNICAL DIFFICULTIES AND SOIL PROBLEMS EMERGING AFTER MORE DETAILED SOIL BORING, (C) MODEST CHANGES IN SIZE OF SOME FACILITIES, AND (D) DELAYS IN PROJECT IMPLE-

MENTATION, TOTAL COST IS NOW ESTIMATED AT \$73.5 MILLION, INCLUDING \$39.13 MILLION FOREX REQUIREMENT, OR 67 PERCENT INCREASE.

5. IN VIEW SIGNIFICANT COST INCREASES, NEW ECONOMIC AND FINANCIAL ANALYSES WERE PERFORMED. BANK STAFF CONCLUDED THAT PROJECT REMAINS ECONOMICALLY VIABLE WITH INTERNAL RATE OF RETURN OF 17.7 PERCENT COMPARED WITH 23.5 PERCENT AT TIME OF APPRAISAL. FINANCIAL RATE OF RETURN IS NOW ESTIMATED AT 5.2 PERCENT COMPARED WITH 8.6 PERCENT PREVIOUSLY. IN THIS REGARD, GOVT HAS AGREED TO REVIEW FINANCIAL ASPECTS INCLUDING AIRPORT TARIFFS TO ACHIEVE ADEQUATE LEVEL OF FINANCIAL VIABILITY.

6. GOVT HAS ASSURED BANK IT WILL FINANCE ALL COST INCREASES. TO ACCOMMODATE PROPOSED PROJECT CHANGES WITHIN LIMITATIONS OF CURRENT BANK LOAN, BANK FINANCING WOULD BE UTILIZED FOR FOREX COST OF PART A, WHICH RELATES PRIMARILY TO INTERNATIONAL AIR TRAFFIC. GOVT WOULD FINANCE TOTAL COSTS OF PART B, WHICH RELATES MAINLY TO DOMESTIC AIR TRAFFIC.

7. ADB PRESIDENT RECOMMENDS THAT BOARD APPROVE COURSE OF ACTION INDICATED ABOVE. IF NO OBJECTION IS RECEIVED BY SEPTEMBER 8, RECOMMENDATION WILL BE DEEMED APPROVED. USADB DOES NOT PROPOSE TO OBJECT.

8. ADB DOC. R83-75 ON ABOVE SUBJECT POUCHED AUG. 28. SULLIVAN

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